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# MERGING OF AIRLINES

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## I. Introduction

1. As indicated in the document on African Air Transport policy, very deep changes are taking place in international air transport throughout the world.

2. Of the various policies being pursued in the United States and Europe, the most alarming for small airlines of the several phenomena that have come into being is the rise of mega airlines. Indeed, since deregulation began in the United States, air transport is becoming concentrated in a few hands. Several mergers and takeovers have occurred among the domestic airlines in the United States.

3. In Europe, in anticipation of the creation of a common market in 1992 and the adaptation of existing structures to the liberalization policy as well as deregulation in the United States, mergers are either being pursued (as in the case of British Airways and British Caledonian) or being considered among national airlines. Negotiations are also underway for closer cooperation, including the establishment of joint subsidiaries.

4. The advantages of having large airlines are many. Among them may be cited :

- The capacity for achieving substantial economies of scale and extensive route network;
- The fact that they can secure the necessary resources for their operations;
- Resulting from economies of scale they have better control of their operating cost and ar able to offer market responsive tariff ranges;
- The ability to practise effective cross subsidization to achieve competitive edge ;
- The capacity to have extensive use of computerized reservations systems including the ability to create their own.

5. These mergers can take place either nationally, among companies flying the same flag, or internationally with the participation of airlines from different states, the goal in all these cases being to achieve economic viability.

## II. Environment of African Air Transport

6. African air transport is affected by the following major problems:

(a) Insufficient co-operation and co-ordination of African airline activities;

(b) Lack of adequate infrastructure;

(c) Difficulties in the granting of the necessary traffic rights for operation;

(d) Difficult financial situation of African airlines;

(e) Use of obsolete fleets;

(f) Poor facilitation;

(g) Lack of adequate and reliable data base;

(h) small size and multiplicity of African airlines;

### 1. Lack of Co-operation and Co-ordination of African Airlines Activities

7. Immediately after independence, those countries which realized the important role that air transport could play in the economic and social development started to set up their national airlines. This was how airlines of such varying size mushroomed. Despite efforts by regional economic and industry organizations to promote cooperation among this large multitude of small African airlines, these efforts have not yet achieved the full desired objectives. On the other hand some countries very quickly understood the need for co-operation and set up a multinational airline, and others, while recognizing the importance of grouping or a coordinated action have not been able to translate their aspiration for the establishment of a joint airline into reality. What is happening today shows that if African airlines fail to fully co-ordinate their activities and to co-operate, they will not be able to remain on the international scene. This situation is not desirable because an effective and economically viable air transport system constitutes an essential element of the economic development of African countries, more particularly the land-locked ones.

8. In certain areas, such as the standardization of specifications of various aircraft (Airbus - A-300, A-310,

Boeing B-747, B-767, B-737-200 and B-737-300, the preparation of training syllabi of various categories of airline personnel and the establishment of multinational training centres, African countries and airlines have made much progress.

9. In the area of maintenance, certain national airlines now have fairly well equipped centres but the lack of funds needed to make these centres attractive for other African countries and thus avoid the maintenance of African aircraft outside the continent, remains the problem.

2. Lack of Adequate Infrastructure

10. Air transport, like any other industry, relies on the availability of adequate and sound infrastructure for its optimum development. Aviation infrastructure in Africa is considered to be at a relatively poor standard. Runways and their ability to serve all types of modern aircraft, right flying facilities at a fairly large number of African international airports and navigational aids are but a few examples for this less than satisfactory conditions. This lack of adequate infrastructure has a direct negative impact on the ability of African airlines to optimally utilize their existing fleets and as a result lead to high operating cost due to low utilization. Concerted effort is urgently needed to improve available aviation infrastructure to enable higher and more efficient utilization of African fleets.

3. Difficulties in the Granting of the necessary traffic rights for the operation of the African network

11. Another problem which affects the air services is the difficulty in granting necessary traffic rights and their exploitation.

12. It has become very difficult to link African capitals within twenty four hours because of restrictions imposed to protect national airlines. Thus in 1982 out of the 2,682 theoretical possibilities to link African capital cities, only 547 were linked by scheduled passenger services; that is about 20.3 per cent of the total number of capital city pairs.

13. Efforts have been made by various organisations and airlines to facilitate the granting of traffic rights but changes in attitude are vey rare.

4. Difficult financial situation of African airlines

14. The African airlines are relatively small and their

productivity generally low because they do not benefit from economies of scale. In 1984, the African airlines as a whole suffered an operating loss of 100 million United States Dollars while during the same period the airlines of the world made a profit of 5 billion United States Dollrs. In 1986, of the four airlines which gave information on their financial situation, only one had made profits.

15. Several national airlines are going through such a serious crisis as to compromise their existence. Some of them are on the verge of collapsing.

16. Management and staff qualification problems are the root causes of their difficulties. Added to these are the frequent government interventions in management decision making, tariff fixing, staff recruitment, etc. The national airlines are compelled, for political and social reasons, to operate on some deficit routes without any government subsidy. They expect in that case to balance the operating cost with the income generated by the international flights. Now the operating profits from the latter are rare.

5. Use of obsolete fleets

17. A large part of the African fleet (78 per cent) is composed of obsolete narrow body aircraft, which do not comply with noise standards.

18. The operating costs of these aircrafts is high in comparison with the modern aircraft operated by non-African airlines.

19. The implementation since 1 January 1988 of the acoustic standards entailed many difficulties in the operation of international air services of African airlines.

6. Poor facilitation

20. A major obstacle inhibiting the smooth flow and development of intra African trade and tourism is the poor status of facilitation at a number of international African airport. Rigid and cumbersome procedures at many African airports e.g immigration, customs cargo clearance and airport facilities have often forced air transport users and airlines to avoid certain international African airports thus severely curtailing the flow and development of intra African trade and tourism. While the efforts of some African organization to improve facilitation in Africa are recognized, a new approach and added thrust in this essential area are needed.

7. Lack of adequate and reliable data base

21. A chronic problem facing air transport industry, and indeed other economic activities in Africa, is the lack of adequate and reliable data base which forms the basis for effective planning of future development.

22. Although different organizations have attempted to establish efficient, reliable and functioning aviation data banks within Africa, these efforts have met only limited success. There is urgent need for concerted effort by airlines and Civil Aviation Authorities to establish strong and reliable aviation data base as pre-requisite for planning the future development of African air transport.

8. Small size and multiplicity of African Airlines

Just about every African country today owns an airline which has been established with every meagre resources. Most of these airlines have no more than ten aircrafts of different types and sizes. They are thus, not able to provide all the domestic and international services that they ought to as a result foreign airlines have stepped in to fill the gap. The multiplicity of small airlines has led to a strong co-operation and merging of airlines.

III. Comparison between African and non-African airlines

24. Comparison with an airline like United Airlines may shed light on the economic situation of our airlines. In 1987, United Airlines transported 55183866 passengers with fleet of 378 aircraft. Twenty-two African airlines put together have fewer aircraft (257) than United Airlines and carried only 14739839 passengers during the same year, mainly on domestic flights. United Airlines has modern aircraft meeting the standards of the present technology. Besides, it employs 59669 persons as against 63663 employed by African airlines, which shows that the productivity of the African airlines is low. This low productivity is all the more evident when we recall that the aircraft of the African airlines are maintained outside the continent. The small size of African airlines as the above comparison shows results in low productivity and high operating cost (see Table 1 in the Annex)

25. This bears evidence that they do not meet the ideal size. It is surprising that they cannot assume all the tasks of their management. They cannot buy the equipment needed for their operation and they all depend on government subsidies.

26. A general comparison with other airlines, on the basis

of the fleet value and the number of aircraft, shows that no African airline is among the first fifty while airlines like Air India, Thai International appear on the list (see Table 2).

27. According to the latest ICAO statistics, it is noted that in 1986, all the airlines which have their headquarters in Africa carried only 2.4 per cent of tons/km transported.

## IV. Measures taken by the Governments and airlines of other regions

28. New policies adopted in the other regions produced several effects which called for the adoption of some measures.

29. As pointed out above, there are several mergers and acquisitions of airlines in the United States. That policy was encouraged by the American government. Thus today five super-giant airlines control more than 70 per cent of the American domestic market.

30. In Europe, British Airways and British Caledonian have already merged. Other airlines are considering strengthening their cooperation or merging.

31. To control the markets, the major American and European airlines set up their own computerized reservation system. Thus they control all the markets in which they operate. Furthermore, they have established major airport centres which serve as support points for them.

## V. African experience

### 1. Past attempts

32. In the past, efforts to group African countries to establish multinational airlines were made but in most cases they were abortive.

33. The following examples can be mentioned :

(a) West African Airways Corporation (WAAC) which comprised the Gambia, Ghana, Sierra Leone and Nigeria;

(b) Central African Airways Corporation (CAAC) which comprised the countries whose names after independence are: Zambia, Zimbabwe and Malawi;

(c) East African Airways (EAA) which comprised Kenya, Uganda and Tanzania.

34. These corporations disappeared because of political reasons and not economic viability.

35. In North Africa, the idea of establishing an Air Maghreb remained at the conceptual stage for the Maghreb Air Transport Committee.

36. Air Afrique was the only multinational airline that was established and despite its difficulties and continues to maintain its status of multinational airline.

2. New attempts

37. Several new attempts at cooperation presently exist in the region and they are :

(a) Countries of the Economic Community of the Great Lakes (CEPGL), Burundi, Rwanda and Zaire, are working on a project for the creation of a common freight and passenger airline. The project is underway since the necessary funds have been mobilised. An interim report will be submitted to the Summit Conference of the Heads of State and Government of CEPGL in 1988.

(b) In East and Southern Africa five countries, Botswana, United Republic of Tanzania, Uganda, Zambia and Zimbabwe have signed, for that purpose, a declaration of intent to operate a wide-body aircraft together. A secretariat has been set up to translate this declaration of intent into reality. The Secretariat is presently searching for the necessary funds to carry out the appropriate studies. The Ministers of Transport of the countries concerned have signed an agreement of intent on wide-body aircraft.

(c) In Central Africa, UDEAC has considered this problem and taken measures for the coordination of flight schedules, facilitation etc.

(d) In West Africa, ECOWAS has begun to sensitize airlines in the sub-region on the need for cooperation and coordination of strategies. The measures so far taken are making good progress and additional measures will soon be embarked upon.

(e) Member countries of the Mano River Union have expressed their intention to cooperate in the area of air transport.

38. All these attempts are further evidence of the will to cooperate and come together, but none of these measures has so far been translated into concrete terms.

VI. A. Solution for African Air Transport

39. In an international air transport environment dominated by mega carriers, it is not likely that African carriers, which are presently economically weak and developing separately, could compete with the giant airlines. The only hope for Africa is to strive for mergers and groupings with a view to establishing economically viable airlines and benefit from a rather large potential market. These mergers and groupings could be carried out on sub-regional, economic or free choice basis. If this reorganisation of the operation system does not take place, Africa will have to choose between limiting operations to regional and domestic routes and disappear from the international scene by associating itself with the giant airlines of non-African countries.

40. In isolation, African airlines will not be able to compete with those of other regions and even fully review their fleet.

41. The survival of African airlines will depend on joint actions to be taken, for in the face of different changes it becomes absolutely necessary to give up false hopes of individual profitability and make way for realistic joint actions.

42. The wisdom of contemplating mergers or other groupings of African airlines at this time may be doubted in the light of the fact that East African Airways collapsed and Air Afrique is facing difficulties. These two cases should not be taken as condemning any attempt at cooperation to failure since there are reasons unique to each airline that account for collapse in the case of East African Airways and problems in the case of Air Afrique.

The two cases are considered below.

A. East African Airways Corporation

43. This airline belonged to Kenya, Uganda and Tanzania. It formed part of the organs of the East African Community and therefore was not an autonomous company vis-a-vis that political instrument.

44. During its operation, the company was very profitable and made substantial profits.

45. It disappeared as a result of the break-up of the East African Community.

46. Before such a break-up, air travel between the three countries was rather easy and all the three capitals were linked in a satisfactory manner. There was a central aeronautical authority which regulated the air service within the three countries and which defined the general policy to be implemented as regards third party countries. That gave the three countries a comfortable position in the negotiation of bilateral agreements with other countries.

47. The three national airlines which were established after the collapse of East African Airways are small and in no way as strong as the multinational airline was. They have not been able to compete effectively with their European counterparts thus leaving their traffic rights to unreciprocated expolitation by the big European carriers.

B. Multinational airline - Air Afrique

48. When it was established Air Afrique grouped eleven states. Today it groups 10 states, after some withdrawal and new accessions to the Yaounde Treaty under which the multinational airlines was established.

49. Although airline is a shining example of inter-African operation and solidarity, it nevertheless has experienced several problems detailed below:

(a) Interference by Member States by wishing to dictate in matters of recruitment and management;

(b) Non payment of obligations and for travel on behalf of the States. This situation led to the freezing of its assets which as a result do not yield interest while the airlines is compelled to repay to banks the loans contracted.

(c) Lack of discipline of some categories of staff and officers supported by political and government officials;

(d) Disregard for and lack of follow up of some management rules;

(e) Lack of cohesion and team spirit which each officer should respect, which developed the micro-nationalist spirit;

50. In conclusion, it was not the economic viability of the two airlines that in the one instance led to the collapse of East African Airways and in the other to the difficulties

facing Air Afrique. It was rather political and other considerations. Thus, these difficulties should not militate against new co-operative experiment being attempted.

The advantages of the multinational Air Afrique

51. At the beginning of independence, through Air Afrique, the states owned an airline of international character with services of international standard having the following advantages:

- training of air transport technicians, financed by the airlines and not by the state - (Pilots, mechanics, specialised staff) which was very expensive;

- active solidarity : the less privileged countries get the same advantages and services as the others;

- important investments of the multinational airlines in all countries;

- increase of frequencies whatever the volume of traffic, through the multiples intermediary stops system;

- Each member country gets an important number of frequencies, even if its traffic is small;

- There is no need for grant to be given to the airlines which could be self-sufficient if the states did not owe such huge amount of money. An airlines which belongs to a single state gets large grants which deprive the state of the funds necessary to its economic development;

- There is no need for bilateral negotiations for air services among member states. The mission of the joint airline is to provide a public service in the territory of the Member States. Today that territory is one of the best served by air transport in Africa in terms of capacity, quality of aircrafts and frequency;

- The relative importance of the market and the number of partners has made the airline an important credible partner within the family of international airlines;

- The airline has brought together different people who are learning to know each other and to work together;

- If Air Afrique did not exist, member states would not have afforded the fleet of the airline, as the cost of one aircraft is higher than the budget of some countries.

- The consideration given by member states coupled with the desire to save the airline which is a manifestation of this cooperation has enabled the airline to survive in spite of the grave difficulties it is facing. A smaller airline would have disappeared.

## VII. Implications of grouping and merger of airlines in Africa

52. Groupings of airlines is not an easy task and can only succeed where the partners commit themselves unequivocally to the idea. It should therefore be realized that mergers will have certain implications that in the past deferred African airlines from entering into them. However, anxieties about the negative implications of groupings belong to the past and are no longer valid in the face of the challenges facing African air transport today.

53. The implications to be taken into account in connection with grouping and mergers are:

1. Sovereignty and individualist spirit;
2. Protectionism;
3. Size of existing airlines;
4. Safeguarding of jobs;
5. Distribution of services;
6. Standardisation of aircraft and harmonization of procedures for issuance of licence to airline personnel;
7. Economic and political imbalance of countries concerned;
8. Monetary disparity and non convertibility of some currencies;
9. Financial situation of some airlines;
10. Payment of obligations.

### 1. Sovereignty and individualistic spirit

54. Generally speaking, any collective action to be taken requires the acceptance of compromises particularly when it affects the notion of sovereignty. Within the framework of aviation, the

States always considered airlines as a symbol of pride and sovereignty. For some, they represent a tool in the service of the national policy.

55. Other countries are too individualistic and would like, for more national pride, to have their own instrument which they would not like to share.

B. Protectionism

56. Considering the international nature of civil aviation, some countries would like to protect themselves against external influences and wish to have their own airlines which they can control. They protect them against any actions by basing themselves on the fact that an airline is an instrument for administrative, political opening up and for economic development.

57. This notion of protectionism of national airlines is very pronounced among the countries which derive a substantial part of their earnings from tourism.

C. Size of airlines

58. African airlines established after independence are of varying sizes. Some have many operational means and a potential market while others operate with limited means and a less profitable market.

59. Within the framework of a grouping or a merger, the small airlines dread to be swallowed up by the bigger airlines and thus cease to exist. It is more of fear than anything for if the merger is well planned each one will get something out of it.

D. Safeguarding of jobs

60. If there should be a merger, this will inevitably entail the establishment of a new management structure. Some present officials of small airlines will lose their jobs. Concerned, therefore, about safeguarding their jobs, they will not hesitate to initiate against all community initiatives.

E. Distribution of services

61. Within a multinational framework, each country could claim the right to be served regularly with a certain frequency even if that does not meet the economic profitability criterion. Others would like to impose their airports as the transit hub without taking into account the traffic.

62. Consequently, there will be a problem of equitable distribution of air service among the participating States. As far as possible, the profitability criterion should prevail

when taking decisions.

F. Standardization of aircraft and harmonization of procedures for the issue of personnel licence

63. To enable an interchange of members of the crew on different aircraft, there is need to standardize equipment and harmonize the rules governing the issue of licence for airline staff.

G. Economic and political imbalance

64. Economically speaking, some African countries have more potential than others. More often than not the richer countries do not want to associate themselves with those facing enormous difficulties. This is tantamount to lack of a strong desire to co-operate.

H. Monetary disparity

65. Many African countries have their own local currencies which are not always convertible. At present large sums of money generated by airlines are blocked in several countries without any hope of repatriating them. For a merger or grouping to be possible, provision should be made for the necessary clauses, even in the case of devaluation, guarantee of transfer of income and contributions.

I. Financial situation of some airlines

66. The few airlines that are making a profit may perhaps not be willing to join hands with those which are bankrupt. Or those which are bankrupt may wonder why they should come together.

67. It is, therefore, essential that the financial position of airlines considering a merger should be put on a very firm footing before such a merger can take place. In any event, it will be necessary to undertake studies before any merger which should address, inter alia, the question of the financial structure of the new airline.

J. Payment of obligations

68. In many cases, non-payment of obligations is a factor of disagreement and can block any co-operation initiative. It is therefore, necessary that States pay their obligations at the time of the establishment of multinational companies as well as during their operations.

69. The implications enumerated above are not without solutions because once the States are determined to work together they can overcome any obstacles that may stand in their way. What matters most is the political will to co-operate.

VIII. Methodology of approach

The future of the African air transport lies in the merger and grouping of african airlines as explained in the preceeding paragraphs. To attain that objective, it is necessary to adopt a gradual approach, for there are in Africa over 33 regular airlines. This reality should be taken into account. The process of integration and merger should be divided into phases in a way as to make each and everyone realize the need for such an action, for a merger of airlines flying different flags is no easy task.

The following phases could be suggested as a method of approach :

Phase I : Capacity sharing
Phase II : Joint exploitation of compatible routes
Phase III : Integration of activities and joint utilisation of facilities
Phase IV : Merger

Phase I Capacity sharing

This phase can start with the sharing of existing capacity and then after the sharing of additional capacity to be acquired.

a) Existing capacity

Capacity sharing refers to aircraft capacity and other facilities. It is a well known concept in air transportation. Many african airlines must have used it at one time or another, on ad hoc basis, to fill an immediate need.

Let us assume that several african airlines have agreed, in principle, to group themselves in order to eventually merge. As the 1st step they should embark upon taking stock of the existing facilities of each member. These include aircraft capacity, aircraft time, training and maintenance facilities. If a member has extra aircraft capacity on a route this could be shared with members who fly the same route. Aircraft seats could be alloted to a member in need of seats. Flights could originate from a convenient gateway to which members could feed their traffic. Utilization of aircraft capacity in this way will improve load factor.

Example 1 :

Let us assume that a break-even load factor operating a certain route with a 200 capacity aircraft is 50%. The owner airline may operate this route at a break-even load factor since his market does not generate more than 100 passengers per flight. This leaves an excess capacity of 100 seats which

could be utilized by member airline(s). The extra seats could be offered at a reasonable price and the partners will earn profit resulting from the improved load factor beyond the break-even point.

Example 2 :

76. Another scenario is when one partner has unutilized aircraft time. The members of the group could use the available time on their own routes. Sharing of aircraft time would improve the daily utilization rate and hence profitability. African airlines with compatible routes could harmonize their schedules and share aircraft time, irrespective of the sub-region in which they are located.

b) Additional capacity

77. Most african airlines have not yet re-equipped their fleet. The noise ban regulation will exclude their old fleet from operating to Europe, their only significant long haul market. What is the choice? Shrinking to regional and domestic operation towards extinction gradually or act now to assure survival and chart development path for future?

78. The immediate challenge of re-equippement offers an opportunity for co-operation between groups of african airlines who will choose to merge. They have the choice of joint lease or joint acquisition.

79. Depending on the demand and structure of their market, these airlines could jointly lease or purchase appropriate new aircraft. The group would require daily or monthly rate of aircraft utilization commitment from its members. Such commitment is essential since the lease fee or loan repayment will be based on the utilization rate.

80. The members will expand jointly existing training and maintenance facilities. They will invest in new maintenance and training infrastructures and build additional capabilities at each location.

Phase II Joint exploitation of compatible routes

81. The experience of the first phase will serve as a stepping stone for members of the grouping to establish a high level co-operation, particularly with regard to the joint exploitation of compatible routes.

82. The co-operation referred to above will also involve the combination of some operations of member airlines. These operations will, among other things, include :

1. Joint insurance;

2. Global distribution systems;

3. Funding and hiring of aircraft;

4. Joint selection of flights;

5. Grouping of sale and activity points at the airport;

6. Sale promotion of joint services;

7. Profit and cost sharing;

8. Harmonization of existing networks;

9. Maximum utilization of available resources;

Phase III Integration of joint utilization of facilities

83. The third phase will relate to :

a) The integration and joint utilization of all the international routes and the sharing of the costs and profits based on the degree of participation;

b) Joint ownership and utilization of existing facilities and maintenance services as well training centres.

Phase IV Merger

84. This phase which is the final phase will relate to the various major procedures which may take one of the following forms :

i) Consortium : This form of merger will entail the close co-operatin among the members without the creation of an independent legal entity. The members shall preserve their identity while undertaking joint air transport activities.

ii) Joint subsidiary belonging to member airlines : The partners shall esthlish an autonomous legal entity to manage the affairs of the member airlines. In this case, the partners shall combine the activities while maintaining their autonomy.

iii) Joint airlines : The partner airlines shall merger to create a single entity.

85. This last phase will require studies which will deal with the following :

a) Organizational and legal form of the airlines to be created;

b) The routes to be used as well as traffic rights;

c) Relations that should exist between the airlines and

i) other african national airlines of participating States;
ii) other non-african national airlines;

d) Tariffs to be applied and initiated;

e) Definition and sharing of responsibility among the airlines to be created and the participating governments;

f) The role of participating governments;

g) The aeronautical policy of participating countries;

h) Means to be used;

i) Economic measures and privileges to be granted to the new company;

j) Criteira for the recruitment of staff;

k) The developement policies to be followed; etc...

## IX. Impelementation of the recommendations

86. To implement the above mentioned phases, it is necessary to set up an appropriate mechanism for implementation, to resolve the various problems hampering groupings and to draw up a timetable for this implementation.

### 1. Setting up a mechanism

87. In view of the need to follow-up the issue of mergers of African airlines and to evaluate the tasks to be carried out in this connection, it is recommended that a follow-up mechanism be established.

### 2. Resolving the various problems hampering grouping

88. These are problems referred to earlier on. A firm commitment in the area of aeronautical co-operation is also necessary. In this connection, governments should give directives to their national airlines so as to enable them to implement the above mentioned phases, thereby making the attainment of merger possible.

### 3. Drawing up a timetable for the implementation of the phases

89. In order to effect the merger within a reasonable time frame and pre-empt any possible problems, it will be necessary

to draw up a timetable for the implementation of the various phases. The following timetable is proposed :

| | | |
|---|---|---|
| Phase I | Duration two years | 1989 - 1990 |
| Phase II | Duration two years | 1991 - 1992 |
| Phase III | Duration two years | 1993 - 1995 |
| Phase IV | Duration three years | 1995 - 1997 |

The time-table above is only indicative since in some cases the phases may well be completed in a shorter time.

Recommendations

90. It is recommended to the conference that :

1. The idea of grouping and merger be accepted as a solution of problem of the development of African air transport so as to prevent foreign airlines from dictating their laws and to pre-empt them from seeking their own association with African airline;

2. An implementation programme and follow-up mechanism to monitor the decisions of the present meeting be created;

3. Directives be given to the Technical Committee on Air Transport as to the basis on which the groupings or mergers should be done. (For example should the groupings or mergers be done on a sub-regional, economic or voluntary association) and what should be the kind of merger, e.g. consortium, joint subsidiary or joint airline.

4. Directives be given on studies to be undertaken in connection with groupings or mergers of airlines and request States to support the projects that need to be submitted to the donors for financing.

5. The following mechanism for implementating the grouping of merging of African airlines be adopted.

a) Broaden the mandate of the Technical Committee on Air Transport so as to enable it to follow and monitor the implementation of the four phases of the process of airline integration;

b) Pending the recruitment of a project co-ordinator who will be responsible for the implementation process and who will report to the Committee, ECA be requested to act as the secretariat to the Committee;

c) Set up a five-member follow-up ministerial committee (one member per subregion) so as to create the necessary political environment leading to the process of airline integration thus facilitating the task of the Technical Committee.

# ANNEXES

| Airline | Passenger transported | | Number of aircraft | | Number of staff | |
|---|---|---|---|---|---|---|
| | 1986 | 1987 | 1986 | 1987 | 1986 | 1987 |
| Air Madagascar | - | 410,715 | - | 10 | - | 1,214 |
| Air Afrique | 793,361 | 701,007 | 9 | 7 | 4,406 | 5,679 |
| Air Algerie | 1,950,949 | 1,710,867 | 21 | 21 | 7,139 | 7,159 |
| Air Botswana | 53,037 | 60,101 | 3 | 3 | 133 | 211 |
| Air Burundi | - | - | - | - | - | - |
| Air Gabon | 447,268 | 303,079 | 7 | 7 | 1,100 | 1,530 |
| Air Guinee | 25,701 | 30,352 | 2 | 2 | 132 | 207 |
| Air Liberia | - | - | - | - | - | - |
| Air Malawi | 125,273 | 105,150 | 4 | 5 | - | 822 |
| Air Tanzania | 131,141 | 156,061 | 8 | 8 | 1,102 | 1,303 |
| Air Zaire | 169,959 | 200,780 | 7 | 5 | - | 2,710 |
| Air Zimbabwe | 151,193 | 150,930 | 10 | 10 | 1,565 | 1,519 |
| Cameroon Airlines | - | - | - | - | - | - |
| EgyptAir | 2,359,130 | 2,991,216 | 27 | 28 | 11,302 | 11,770 |
| Ethiopian Airlines | 527,512 | 594,076 | 26 | 29 | 3,423 | 3,175 |
| Ghana Airways | 242,007 | 224,409 | 4 | 4 | 1,053 | - |
| Jama. Libyan Arab | 1,382,986 | 1,515,115 | 31 | 32 | 4,770 | 5,212 |
| Kenya Airways | - | - | - | - | - | - |
| Lesotho Airways | 50,656 | 46,156 | 5 | 5 | 140 | - |
| Nigeria Airways | 2,132,212 | 1,614,431 | 17 | 17 | 8,220 | 5,632 |
| Royal Air Maroc | 1,095,462 | 1,187,417 | 20 | 21 | 4,220 | 4,484 |
| Somali Airlines | 125,102 | 124,100 | 3 | 5 | 902 | 796 |
| Sudan Airways | 317,410 | 417,105 | 7 | 11 | 2,007 | 1,720 |
| TAGC | - | - | - | - | - | - |
| Tunis Air | 123,083 | 1,132,610 | 13 | 13 | 4,500 | 4,471 |
| Zambia Airways | 273,711 | 160,103 | 6 | 6 | 1,078 | 1,700 |
| Air Mauritius | - | 205,161 | - | 8 | - | 720 |
| TOTAL | 13,001,189 | 17,739,839 | 220 | 257 | 60,000 | 63,563 |
| British Airways | - | 100,000,000 | - | 151 | - | 30,694 |
| Air France | - | 13,361,342 | - | 105 | - | 25,901 |
| Lufthansa | - | 16,961,515 | - | 127 | - | 30,000 |
| United Airlines | 50,372,171 | 55,103,066 | 364 | 370 | 51,924 | 50,660 |

TABLE 2

| Airline | Value of the fleet (in Millions US$) | Number of aircraft |
|---|---|---|
| American | 5,772.4 | 335 |
| United | 4,701.1 | 354 |
| Northwest | 4,432.1 | 200 |
| Delta | 4,258.4 | 350 |
| Continental | 3,689.6 | 205 |
| Lufthansa | 3,583.3 | 145 |
| Japan Airlines | 3,531.6 | 89 |
| Eastern | 3,511.2 | 200 |
| British Airways | 3,004.0 | 154 |
| Saudia | 2,667.6 | 77 |
| Air France | 2,618.2 | 110 |
| TWA | 2,498.4 | 207 |
| All Nippon Airways | 2,174.5 | 71 |
| Singapore Airlines | 2,010.0 | 33 |
| KLM | 1,886.1 | 60 |
| Pan Am | 1,683.2 | 114 |
| Piedmont | 1,717.1 | 151 |
| Air Canada | 1,589.3 | 118 |
| USAir | 1,523.2 | 140 |
| Swiss Air | 1,500.4 | 59 |
| Qantas | 1,502.0 | 30 |
| Alitalia | 1,502.0 | 63 |
| Korean Air | 1,342.5 | 40 |
| SAS | 1,317.4 | 85 |
| Garuda | 1,300.1 | 74 |
| Western Air Lines | 1,174.4 | 83 |
| Iberia | 1,158.3 | 63 |
| CAAC | 1,140.0 | 75 |
| Federal Express | 1,085.5 | 74 |
| Varig | 1,063.0 | 52 |
| Thai International | 1,017.5 | 36 |
| Southwest Al | 993.3 | 63 |
| Pacific Southwest | 947.5 | 57 |
| Cathay Pacific | 931.5 | 21 |
| Flying Tigers | 845.5 | 31 |
| Kuwait Airways | 782.0 | 17 |
| Air India | 730.1 | 23 |
| Ansett Airlines | 705.0 | 44 |
| China Airlines | 680.1 | 20 |
| Canadian Pacific | 623.0 | 26 |
| American West | 550.3 | 45 |
| Pakistan Intl. | 530.5 | 27 |
| Air New Zealand | 502.3 | 13 |
| UTA | 500.5 | 11 |
| Iran Air | 573.5 | 34 |
| Sabena | 569.3 | 25 |
| Tea Domestic | 560.7 | 36 |
| Turkish Airlines | 559.3 | 31 |
| British Caledonian | 542.5 | 26 |
| TOTAL | 111,039.5 | 7,108 |